



WEEKLY ECONOMIC DIGEST

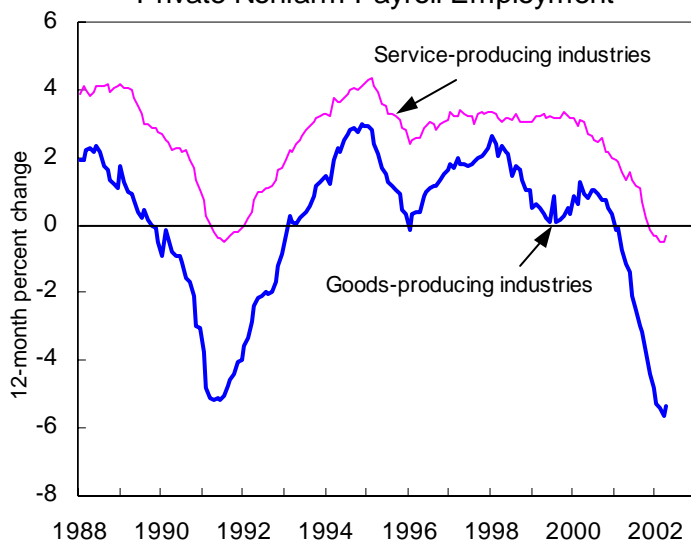


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
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May 7, 2002

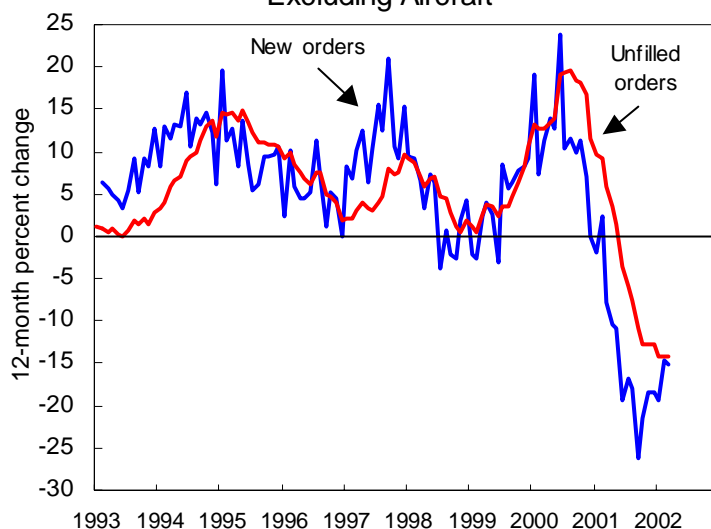
April Employment Data Give Fed No Reason to Raise Rates

Private Nonfarm Payroll Employment



Source: Bureau of Labor Statistics, U.S. Department of Labor.

Orders for Nondefense Capital Goods Excluding Aircraft



Source: Census Bureau, U.S. Department of Commerce.

- **The unemployment rate rose in April.** The civilian unemployment rate jumped 0.3 percentage points to 6 percent last month, its highest level in nearly eight years. That rise exceeded what most analysts had expected. The labor force increased by 565,000 people in April, but the number of unemployed workers rose by almost as much. Some part of that rise in the labor force is surely due to the availability of extended unemployment insurance benefits, which may have kept some people in the labor force who would have otherwise stopped looking for work.
- **Payroll employment rose slightly in April.** The number of employees on nonfarm payrolls inched up by 43,000 jobs last month, but remained below its level of a year ago. Payrolls in goods-producing industries were down 5.3 percent from a year earlier, while jobs in the private service-producing sector were down 0.3 percent. Although factory payrolls declined again, the rate of job loss was slower than it has been in recent months.
- **Total weekly hours slipped slightly.** Aggregate weekly hours of production and nonsupervisory workers on private nonfarm payrolls fell by 0.2 percent last month, after rising 0.1 percent in March. Revised data now show that aggregate weekly hours slipped at a 0.5 percent annual rate during the first quarter. With output rising at a 6.5 percent annual rate, the first-quarter productivity number released today should be very strong.
- **Some advance indicators of capital spending slipped in March.** New orders for nondefense capital goods excluding aircraft fell 3.6 percent in March, to a level that was 15 percent below that of a year earlier. Unfilled orders for nondefense capital goods excluding aircraft also fell, and were 14 percent below the year-earlier level.
- **No immediate change is expected for monetary policy.** Amid growing indications that the pace of the recovery may be slowing even as productivity continues to grow more robustly than expected, the Federal Reserve is not likely to be concerned about inflation at its policy meeting today. In fact, the prices of federal funds futures indicate that financial markets do not expect the central bank to change rates before the second half of the year.

Economy At A Glance	Apr	Mar	Feb	Jan	2002 Qtr 1	2001 Qtr 4	2001 Qtr 3	2001 Qtr 2	2001	2000
Economic Activity										
Real GDP (% growth)					5.8	1.7	-1.3	0.3	1.2	4.1
Industrial Production (% growth)		8.7	3.7	6.2	2.5	-6.7	-4.7	-5.9	-3.9	4.5
Capacity Utilization (Level, %)		75.4	74.9	74.7	75.0	74.7	76.2	77.4	76.8	81.8
Civilian Unemployment Rate (Level, %)	6.0	5.7	5.5	5.6	5.6	5.6	4.8	4.5	4.8	4.0
Housing Starts (Thousands)		1646	1785	1713	1714	1579	1601	1623	1603	1569
Real Disposable Personal Income (% growth)		3.7	7.4	22.4	10.4	-8.1	12.3	2.4	3.6	3.5
Retail Sales (% growth)		2.6	2.5	-1.8	-3.1	12.3	-1.3	5.5	3.5	7.6
Personal Saving Rate (Level, %)		2.2	2.1	2.0	2.1	0.4	3.8	1.1	1.6	1.0
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)		3.7	2.4	2.4	1.4	-0.3	0.7	3.1	2.8	3.4
Core CPI-U Inflation (% growth)		1.2	3.7	2.4	2.3	2.7	2.7	2.4	2.7	2.4
Compensation per Hour (% growth)					3.6	4.2	3.7	4.0	4.1	4.5
Output per Hour (% growth)*						5.2	1.1	2.1	1.9	3.3
Financial Markets										
T-Bill Rate, 3-month (Level, %)	1.7	1.8	1.7	1.7	1.7	1.9	3.2	3.7	3.4	5.8
T-Note Rate, 10-years (Level, %)	5.2	5.3	4.9	5.0	5.1	4.8	5.0	5.3	5.0	6.0
Federal Funds Rate (Level, %)	1.8	1.7	1.7	1.7	1.7	2.1	3.5	4.3	3.9	6.2
Dow Jones Industrial Avg (Index Level)	10165	10501	9891	9924	10105	9641	9934	10669	10189	10735

Sources: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

* Subject to revision this week.

Upcoming Economic Releases:

- **Productivity and Costs, First quarter** [Release: Tuesday, May 7, 2002]
- **Federal Open Market Committee meeting** [Tuesday, May 7, 2002]
- **Import and Export Price Indexes, April** [Release: Thursday, May 9, 2002]
- **Producer Price Index, April** [Release: Friday, May 10, 2002]